



# FAIRVIEW

## FIRE PROTECTION DISTRICT

**POLICY**

**NUMBER:203.1**

**EFFECTIVE:1/28/2020**

**RESERVE FUNDS POLICY**

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I. **PURPOSE** - It is in the best interest of the District and those it protects to have a clear policy regarding the use of the District's funds. The District's primary source of revenue is property tax. The recession in 2008 caused a reduction in these revenues as property values dropped and foreclosures rose. The District was able to maintain and improve service levels by using reserves to offset revenue shortfalls. These offsets amounted to over \$2.8M from 2008-2015 as summarized in the attached chart. Therefore, the Board has determined that the District must continue to maintain sufficient reserves to allow it to recover from this type of cyclical economic downturn, a disaster, or other unexpected event. The purpose of this Policy is to delineate the Board's objectives with respect to use of the District's funds, including its reserves, and provide policy guidance for determining allocations to each of the District's fund categories.

### II. OBJECTIVES

1. To provide adequate funding to meet the District's short-term and long-term financial needs.
2. To minimize adverse annual and multi-year budgetary impacts from anticipated or unanticipated expenses.
3. To strengthen the financial stability of the District against uncertainties, such as shrinking revenues caused by recession.
4. To facilitate compliance with GASB 54 (Governmental Accounting Standards Board Statement 54), a standard for reporting of fund balances and standard terminology.
5. To establish appropriate levels for each fund category.
6. To ensure these levels are reviewed regularly and adjusted appropriately by the Board. III.

### FUND CATEGORIES

**General Fund** – The General Fund is the main operating fund of the District. It is collected, held, invested, and disbursed by Alameda County for the District as outlined by State Law. The District funds are held in County Fund 43300. The District breaks down this single fund into the following categories as specified by GASB 54:

Non-Spendable – Includes monies that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Includes monies that are restricted by constraints placed on their use by creditors, grantors, contributors, or laws and regulations.

Committed – Includes monies that can only be used for the purpose specified by the Board, unless the Board removes or changes the specified use by taking the same type of action it used to previously commit those amounts.

Assigned – Includes monies constrained by the Board’s intent to be used for specific purposes, as well as monies in reserve for future economic uncertainties or emergencies.

#### IV. RESERVES POLICY

**Capital Replacement Fund:** This reserve will contain the amount approved annually by the Board in the Annual Budget to be used to address future anticipated facility and equipment needs.

**Operating Reserves:** The District shall maintain operating reserves equal to 10% of the approved operating budget. The Board may authorize expenditure of these funds for unanticipated needs that exceed the Board’s adopted budget in a single year.


**Reserve for Economic Uncertainties or Emergencies:** In order to ensuring ongoing critical services during economic downturns or emergencies, the Board shall strive to maintain a fund balance in this reserve of no less than 85% of the yearly budgeted general fund expenditures. The fund balance may be reduced, and funds in this reserve may be expended, upon a finding by the Board of Directors that due to an economic downturn, an emergency or other unforeseen circumstance, expenditure of funds in the reserve is in the best interests of the Fairview Fire Protection District.

V. ANNUAL REVIEW - The Board will annually review this Policy and will set the specific amount to be allocated into its Reserves during the Board’s adoption of its Annual Budget.

#### VI. AUTHORIZATION -



Board President



Date